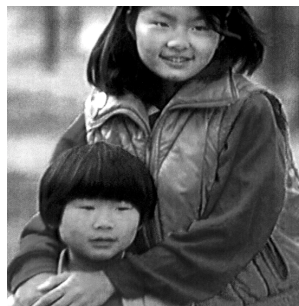




STRENGTHENING THE SAFETY NET

A FINANCIAL ANALYSIS OF NEW HAMPSHIRE'S COMMUNITY HEALTH CENTERS

Avis Goodwin Community Health Center



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Avis Goodwin Community Health Center Financial Analysis 1993-1999

Summary

Avis Goodwin Community Health Center has experienced erratic profitability during the period 1993 to 1999. Although net income was a source of cash for the organization, the majority of cash generated was from slowing down payment of short-term liabilities. As short-term debt was used to purchase long-term assets, Avis Goodwin's liquidity worsened. The amount of assets financed with equity has also decreased during the period analyzed, and the Center's cash flow to total debt is low, signaling difficulty in covering both long-term and short-term debt.

Cash Flows

48.3%, or approximately \$500,000 of Avis Goodwin's cash was generated from slowing down payment of accounts payable and accrued expenses. Depreciation and net income generated 35.0% and 14.6% of Avis Goodwin's cash, respectively, although the majority of cash from net income came in 1994, when the Center had a 9% operating margin. 44.5% of the cash generated was used to purchase property, plant and equipment (PPE), and 29.7% went into patient accounts receivable.

Profitability

Increases in operating revenue and expenses have been uneven, which resulted in erratic profitability margins. Net patient service revenue and grants and contracts together account for approximately 100% of total operating expenses in all years examined, although NPSR as a percent of total operating expenses has decreased from 53.0% to 37.8%. Data for charity care was available for 1998 and 1999, and went from 32% to 37% of gross patient service revenue in those years.

Liquidity

Avis Goodwin's liquidity position has worsened from 1993 to 1998, although some ratios improved in 1999. For example, average payment period and days in accounts receivable were reduced to 78.9 and 100.4 days in 1999, after values of 165.9 and 90.8 in 1998. The current ratio has remained steady in the three most recent years (1.38 in 1999), after falling from 3.1 from 1993 to 1996.

Solvency

During the seven-year period, Avis Goodwin has financed an increasing amount of its net assets with short-term liabilities. This is highlighted by the equity-financing ratio, which decreased from 52% in 1993 to 37% in 1999. This ratio is below the median for the CHCs. Cash flow to total debt has ranged from -1% to 15% (excluding 1996), and signals difficulty in paying short and long-term liabilities from operating sources.

Source: Audited Financial Statements. Prepared by Jennifer Scott, Paul Giaudrone, and Hyun Ryu under the supervision of Nancy Kane, DBA, Harvard School of Public Health.